

CDCI ANNUAL USE OF CAPITAL SURVEY - 2011



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Magnolia State Corporation and its wholly owned subsidiary Magnolia State Bank

Point of Contact:	Marcus Robinson	RSSD: (For Bank Holding Companies)	34434
UST Sequence Number:	754	Docket Number: (For Thrift Holding Companies)	
CPP/CDCI Funds Received:	7,992,000	FDIC Certificate Number: (For Depository Institutions)	22081
CPP/CDCI Funds Repaid to Date:		Credit Union Charter Number: (For Credit Unions)	
Date Funded (first funding):	9.30.10	City:	Bay Springs
Date Repaid ¹ :	N/A	State:	Mississippi

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDCI investment was deployed or how many CPP/CDCI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP/CDCI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDCI funds were outstanding).

☒ **Increase lending or reduce lending less than otherwise would have occurred.**

Lending has increased --- Loans grew from \$167MM in ye2010 to \$195MM in ye2011

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☒ **To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).**

We increased volume in small business loans and residential 1-4 family loans.

☐ **Increase securities purchased (ABS, MBS, etc.).**

☐ **Make other investments.**

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☒ **Increase reserves for non-performing assets.**

Loan Loss reserve was increased from \$1,076MM in 2010 to \$1,576 in 2011.

☐ **Reduce borrowings.**

☒ **Increase charge-offs.**

Our charge offs did increase in 2011 and we anticipate some additional c/o in 2012. Net credit losses for 2011 were \$340M compared to \$85M in 2010.

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☒ **Purchase another financial institution or purchase assets from another financial institution.**

We purchased the assets of a small mortgage loan brokerage operation in Flowood, MS and will allow them to offer in-bank 1-4 family loans and have traditional banking products.

☐ **Held as non-leveraged increase to total capital.**

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What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?

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What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?

We were able to purchase the small mortgage operation in Flowood and expand our presence in the delta part of the state.

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Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.

We have continued to offer Money Management. classes, we have participated in matching grant programs through the FHLB and have offered additional products to the under banked. We working on additional ways to market these products.